

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20505

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January 29, 1982

MEMORANDUM FOR MS. NANCY BEARG DYKE
Assistant to the Vice President for
National Security Affairs

B MR. L. PAUL BREMER II
Executive Secretary
Department of State

K-1 MR. DAVID PICKFORD
Executive Secretary
Department of the Treasury

D MAJOR GENERAL CARL R. SMITH
Military Assistant to the
Secretary of Defense

MS. JEAN JONES
Director, Executive Secretariat
Department of Commerce

A [Redacted]
Executive Secretary
Central Intelligence Agency

B MS. JACKIE TILLMAN
Executive Assistant to the
United States Representative to
the United Nations

D COLONEL CHARLES F. STEBBINS
Executive Assistant to the
Chairman, Joint Chiefs of Staff

SUBJECT: National Security Council Meeting,
February 2, 1982

Attached is Tab C to the background paper forwarded earlier today and an additional paper from Commerce for the National Security Council Meeting on Tuesday, February 2. Also attached is page 1 of the background paper inadvertently deleted from original package.

NSC review completed.

Michael O. Wheeler
Michael O. Wheeler
Staff Director

Attachments

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Clarification of the Scope of the December 30, 1981
Sanctions Involving Oil and Gas
Equipment Exports to the Soviet Union

Since the imposition of expanded foreign policy controls on oil and gas equipment exports to the Soviet Union on December 30, 1981, there has been disagreement within the government as to the scope and interpretation of those controls. It is urgent that the matter be resolved quickly, so that the Commerce Department can publish definitive regulations.

Basically, the controversy involves whether the sanctions were intended to cover controlled subsidiaries of U.S. companies abroad and whether they were intended to cover foreign licensees of U.S. companies.

In an attempt to obtain interagency agreement on this matter, a meeting was held on January 27, 1982 in the Situation Room consisting of representatives of the Department of State (Stoessel), Defense (Carlucci), Commerce (Olmar), CIA (Inman), Office of the Vice President (Murphy) and Ambassador Kirkpatrick. A paper prepared by the Commerce Department (Tab A) was used as the basis for discussion. Subsequently, a more extended Commerce Department paper on the legal background was received (Tab B).

Unfortunately, it was not possible to get unanimous agreement on the questions of the application of the sanctions to subsidiaries and/or licensees. Defense, CIA, Commerce, USON, Office of the Vice President and NSC agree that the sanctions should be interpreted to include subsidiaries and licensees, for the following reasons:

-- Without such application, the sanctions will be ineffective in slowing or stopping development of the Siberian pipeline.

-- Not applying the sanctions to subsidiaries will be seen as penalizing U.S. companies, U.S. workers and U.S. exports rather than the Soviets.

-- Even if after prolonged litigation, extension of the controls is declared invalid in other countries, by that time great damage will have been done to the pipeline project because of continued uncertainties. This is particularly true of the banking community.

-- Not applying the sanctions to subsidiaries and licensees will be perceived as making our original response very weak and increase the likelihood of a longshoremen's boycott of grain shipments as well as encouraging media and political criticism.

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